

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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PITTSBURGH, PENNSYLVANIA MSA | SEPTEMBER 2018

FEDERAL RESERVE BANK of CLEVELAND

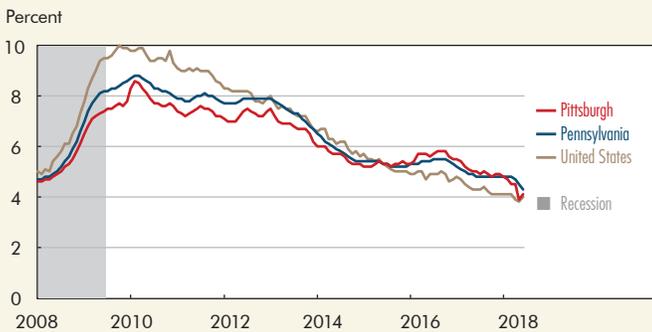
Pittsburgh—Employment Momentum Stalls

After nine months of the first meaningful employment gains in five years, employment growth in the Pittsburgh metro area stalled in the final quarter of 2017. During 2017, 7 of the 10 major industry sectors increased employment, and 3 sectors decreased employment. The unemployment rate fell in the first half of 2018, but it fell for the wrong reason—the size of the area’s labor force fell sharply. The metro area’s housing market tightened in early 2018, as evidenced by accelerated increases in home prices and mortgage debt in the metro area. Despite this tighter housing market, residential building permit issuance remains very low in the metro area. Inflation-adjusted GDP per capita and inflation-adjusted income per capita were essentially unchanged from 2015 to 2016 in the metro area. The metro area’s consumer debt levels and credit card delinquency rate are still substantially lower than state or national levels.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	June 2018 (percent)	One-year change (percentage points)	June 2018	One-year change (percent)	December 2017 (thousands)	One-year change (percent)	2018:Q1 (percent)	One-year change (percentage points)
Pittsburgh	4.1	-0.9	\$141,300	7.9	1,111	1.2	6.4	0.2
Pennsylvania	4.3	-0.5	\$169,000	6.8	5,824	1.2	7.0	0.2
United States	4.0	-0.3	\$217,300	8.3	144,800	1.5	7.3	0.2

The Pittsburgh metro area’s unemployment rate declined in the first half of 2018.

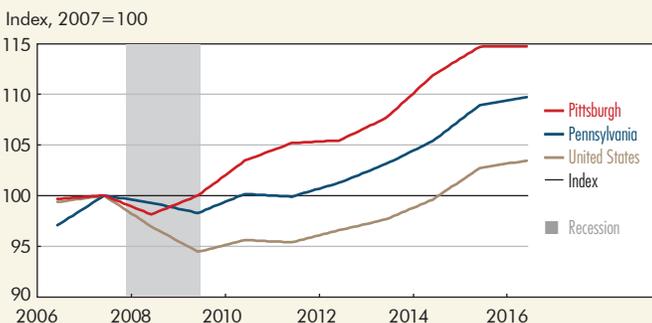


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The Pittsburgh metro area’s unemployment rate fell to a post-Great Recession low in the first half of 2018, but the decline was for the wrong reason. The 0.7 percentage point decline in the jobless rate (to 4.1 percent) was driven by a sharp drop in the size of the labor force rather than an increase in employment. This decline brought the metro area’s unemployment rate in line with national trends and below the state’s rate.

Inflation-adjusted per capita GDP growth slowed substantially in the Pittsburgh metro area in 2016.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

Inflation-adjusted per capita GDP growth slowed substantially in the Pittsburgh metro area in 2016, relative both to the growth rate in the prior year and to the average annual growth rate for this economic expansion. In the metro area, inflation-adjusted per capita GDP grew by less than 0.1 percent in 2016, compared with its 2.5 percent growth in 2015. Inflation-adjusted per capita GDP growth slowed in both Pennsylvania and the United States as well. Both state and national real GDP per capita grew by less than 1 percent in 2016 and by slightly more than 3 percent in 2015. Since 2009, the year in which the Great Recession ended, inflation-adjusted GDP per capita increased at an average annual rate of 2.0 percent in the metro area, faster than both the state (1.6 percent) and the nation (1.3 percent).

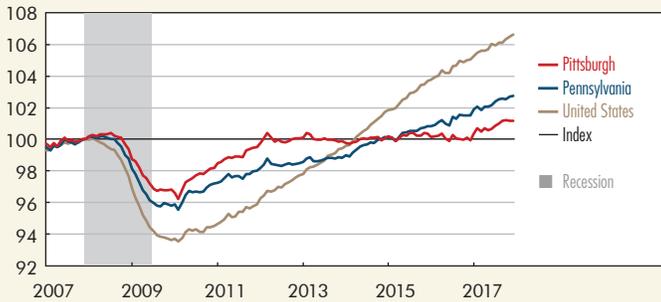
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The Pittsburgh metro area's employment growth fell to almost zero in the final months of 2017.

Index, 2007:M12=100



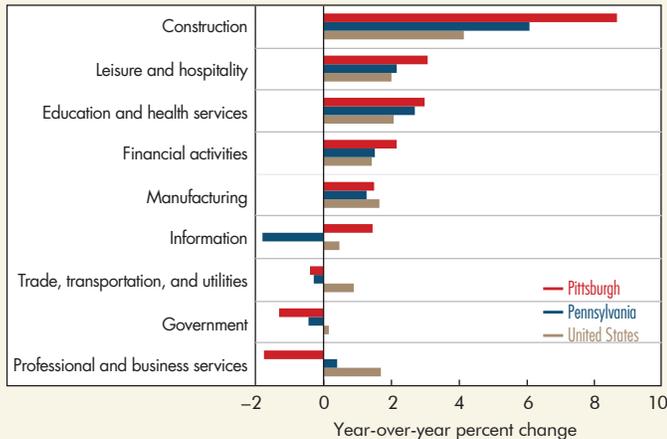
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT AND INDUSTRIAL SECTORS

EMPLOYMENT

The Pittsburgh metro area's employment growth fell to almost zero in the final months of 2017 after strong 1.6 percent annualized growth from December 2016 through September 2017 (according to the Quarterly Census of Employment and Wages). It is not clear at this time which, if either, trend will persist through 2018 and beyond. Preliminary estimates from another survey, the Current Employment Statistics, suggest employment growth in the first half of 2018 was likely weak, although CES data are often subject to significant revisions. The recent loss of momentum brings the metro area back to what was an extended and disappointing trend: from 2012 until 2017, employment growth was almost zero percent.

Several employment sectors grew in the Pittsburgh metro area during 2017.



Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT GROWTH BY SECTOR

During 2017, several sectors—construction, leisure and hospitality, education and health services, financial activities, information, and natural resources and mining (not shown)—grew faster in the Pittsburgh metro area than these sectors grew statewide or nationally. This is a positive development because from 2012 to 2016, most sectors grew more slowly in the metro area than nationally. Of the sectors accounting for more than 1.5 percent of the metro area's employment, construction grew the fastest, with nearly 9 percent growth on a year-over-year basis. On the downside, trade, transportation, and utilities, government, and professional and business services lost workers during 2017; these three sectors are among the largest in the Pittsburgh metro area.

The Pittsburgh metro area netted more than 13,500 jobs in the year ending December 2017.

Sector	Employment	12-month change	Share of employment
Education and health services	235,733	6,849	21.1
Trade, transportation, and utilities	210,258	-859	18.8
Professional and business services	165,505	-2,978	14.8
Leisure and hospitality	117,100	3,497	10.5
Government	114,496	-1,519	10.2
Manufacturing	86,064	1,257	7.7
Financial activities	69,954	1,483	6.3
Construction	52,732	4,199	4.7
Information	16,784	240	1.5

Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

SECTOR EMPLOYMENT

The Pittsburgh metro area added 13,528 jobs on net in the year ending in December 2017. The largest contribution to this growth came from the metro area's largest sector, education and health services, which employs about one in five workers and grew 3 percent during the period. Employment in the education and health services sector is about 40 percent more concentrated in the metro area than it is in the nation. Construction was the next-largest growth driver; though it employs less than 5 percent of the metro area's workers, the sector's nearly 9 percent year-over-year growth rate translated into more than 4,000 jobs. Professional and business services lost around 3,000 workers during 2017, after a trend of adding jobs on a year-over-year basis through most of this expansion. On the other hand, manufacturing added a modest number of jobs during 2017 after a trend of losing jobs over the past few years.

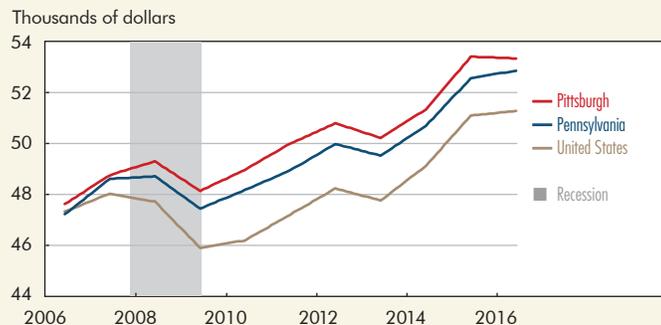
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INCOME

Inflation-adjusted per capita income in the Pittsburgh metro area was essentially unchanged between 2015 and 2016.



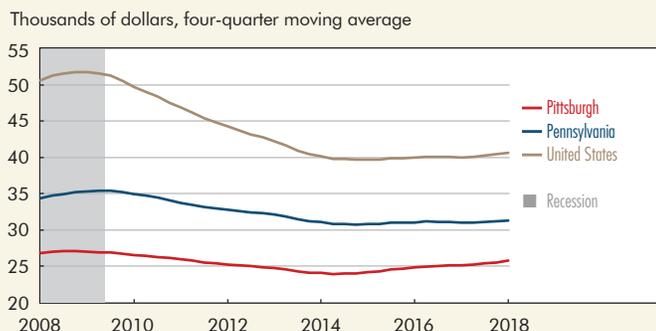
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

Inflation-adjusted per capita income in the Pittsburgh metro area was essentially unchanged between 2015 and 2016. Inflation-adjusted per capita income growth slowed statewide and nationally as well—both saw growth of less than 1 percent in 2016. From 2009, the year the current expansion began, to 2016, the most recent year for which we have data, increases in inflation-adjusted per capita income have been comparable across the metro area, state, and nation, growing at an average annual rate of 1.5 percent in the metro area and 1.6 percent in the state and the nation.

CONSUMER FINANCES

Inflation-adjusted per capita consumer debt levels in the Pittsburgh metro area rose in the first quarter of 2018.

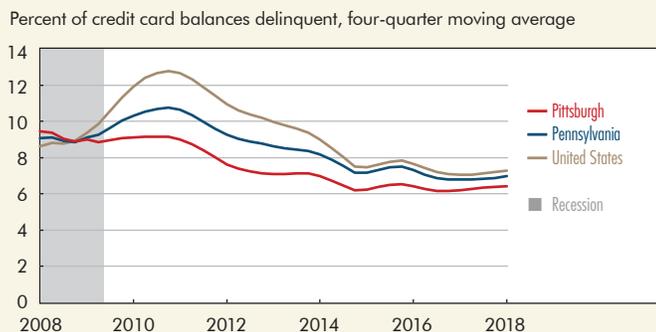


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

Inflation-adjusted per capita consumer debt levels in the Pittsburgh metro area rose by more than \$800 in the first quarter of 2018. For comparison, debt levels in the metro area rose by an average of about \$150 per quarter from mid-2014 to the end of 2017. State per capita consumer debt levels increased by a smaller amount during the first quarter of 2018, about \$230, while national debt levels were roughly unchanged. The debt increase in the metro area was driven by an increase in mortgage debt as home prices accelerated. The good news is that local debt levels remain significantly lower than state or national averages. The metro area's per capita consumer debt is still about \$5,000 lower than the state's \$31,600 per capita debt and about \$14,300 lower than the nation's \$40,800 per capita debt.

Pittsburgh metro area credit card delinquency rates remained lower than state and national averages in the first quarter of 2018.



Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CREDIT CARD DELINQUENCY RATE

The credit card delinquency rate in the Pittsburgh metro area is still lower than state and national averages, as it has been since the Great Recession. In the first quarter of 2018, the metro area's delinquency rate was about 0.6 percentage points lower than the state level and more than 0.8 percentage points lower than the national level. These gaps have been narrowing over the course of the economic expansion as state and national delinquency rates fell and the metro area's delinquency rate remained stable and low. The delinquency rate in the metro area has been less than 7 percent for the past three years, a threshold not yet crossed by the national average in this economic expansion.

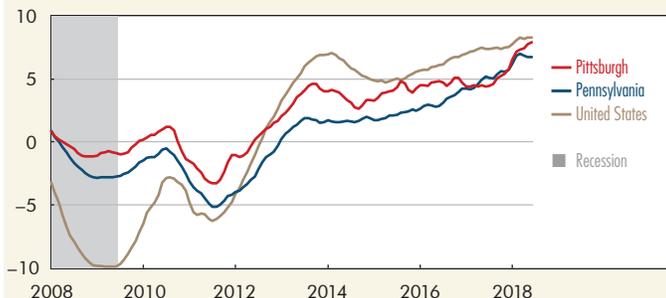
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Home price appreciation in the Pittsburgh metro area has been accelerating since the second half of 2017.

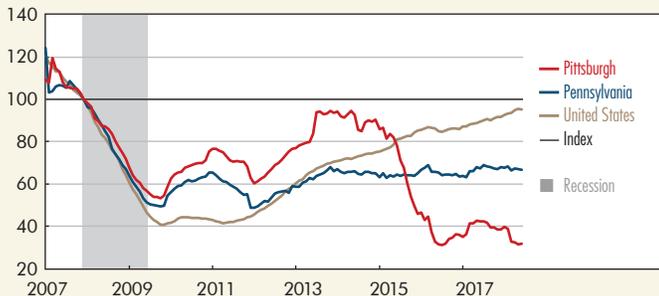
Year-over-year percent change



Source: Zillow.com/Haver Analytics.

Pittsburgh metro area residential building permit issuance continued to be low in the first half of 2018.

Index, 2007:M12=100, 12-month moving average



Source: US Census Bureau/Haver Analytics.

HOUSING MARKET

HOUSING PRICES

Home price appreciation in the Pittsburgh metro area has been accelerating since the second half of 2017, and prices are now rising at their fastest pace since the early 2000s. Home prices in the area have been rising at a more than 7 percent rate on a year-over-year basis in 2018. By comparison, local year-over-year home price appreciation had generally ranged between 2.5 percent and 5.0 percent in the prior five years. Home price acceleration since mid-2017 has been driven by a substantial increase in home prices for the least-expensive one-third of homes in the metro area; in June 2018, prices for these homes rose nearly 20 percent on a year-over-year basis, from an average of around \$54,000 in June 2017 to an average of around \$64,000. Nationally, home prices for the least-expensive one-third of homes have been rising at an above-average pace as well, but on a sustained basis that does not mirror the spike in metro area housing prices.

HOUSING PERMITS

Residential building permit issuance continues to be low in the Pittsburgh metro area, as it has been since the sharp drop in issuance that occurred in the middle of this decade. In the first half of 2018, permit issuance averaged 123 permits per month, somewhat lower than the 157 permit-per-month average from 2015 through 2017 and significantly lower than pre-2015 levels. Neither the state nor the nation experienced a severe downturn in permit issuance during this economic expansion. Permit issuance is still stable statewide, and it is growing nationally.

DEMOGRAPHICS AND EDUCATION

PITTSBURGH, PENNSYLVANIA

During the period from 2010 to 2017, the Pittsburgh metro area saw a net population loss of 22,924 people, or nearly 1 percent of its 2010 population. Of the 50 most populous metropolitan areas in the 2010 Census, the Pittsburgh metro area saw the steepest decline in population. The Pittsburgh metro area is the only one of the top 50 metro areas by 2010 population to have had a negative natural change in population (births minus deaths) during the period. The -24,100 natural change from 2010 to 2017 accounted for nearly all of the net decline during the period. Negative net domestic migration was counterbalanced by positive net international migration during the period. The metro area continues to be both older and better educated than the national population.

	Pittsburgh Metro Area		United States	
	2016	Change from 2006	2016	Change from 2006
Population	2,341,536	-1.0%	323,406,000	+8.4%
Adults with less than a high school diploma	6.5%	-4.0 pp	12.5%	-3.4 pp
Adults with an undergraduate degree or higher	34.6%	+7.5 pp	31.3%	+4.3 pp
Median age (years)	43.1	+1.1	37.9	+1.5
Median household income	\$58,862	+8.9%	\$60,493	-0.1%

Note: Percentage points is abbreviated as pp.

Source: US Census Bureau population estimates, American Community Survey.

Mekael Teshome is vice president and senior regional officer of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland. Sarah Mattson is a research analyst at the Branch. The authors thank economic analyst Christopher Vecchio for preparing the charts.

All monthly and quarterly figures are seasonally adjusted, and all dollar figures are in constant dollars, for which the base period is provided by the latest available data. Home prices are an exception, and they are not adjusted for inflation. Where applicable, these adjustments are made prior to calculating percent changes or indexes. Several charts use indexed measures to facilitate comparisons across regions and have a reference line at 100. These numbers can be thought of as the percentages of prerecession levels. If levels were growing before the recession, prerecession indexes will be below 100; if levels were falling before the recession, prerecession indexes will be above 100.

The Federal Reserve Bank of Cleveland, including its branch offices in Cincinnati and Pittsburgh, serves the Fourth Federal Reserve District (Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky).